

## ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

### CHAPTER 7. ADMINISTRATIVE CONTROL OF FUNDS

#### Section 1.0 General

This Chapter establishes policy and prescribes a system for the administrative control of all funds in the Departmental offices and operating units (hereafter referred to as "organization units"). This system of administrative control enables the Secretary to determine responsibility for the over-obligation or over-disbursement of appropriations, apportionments, statutory limitations, allotments, suballotments, and other administrative sub-divisions. It also enables the Secretary to promptly report to the President and to the Congress on those violations required by statute to be so reported.

#### Section 2.0 Authority

.01 These policies and procedures are issued pursuant to the following laws and regulations, and have been approved by the Director, Office of Management and Budget, as required by 31 U.S.C. Sec. 1514:

a. [Title 31 United States Code \(U.S.C.\), Money and Finance:](#)

1. Secs. 1301, 1341-1342, 1349-1351, 1511-1519 (part of the Anti-Deficiency Act, as amended);
2. Secs. 1101, 1104-1108, 3324 (part of the Budget and Accounting Act, 1921, as amended);
3. Secs. 1501-1502 (part of Section 1311 of the Supplemental Appropriations Act of 1950);
4. Secs. 1112, 1531, 3511-3512, 3524 (part of the Budget and Accounting Procedures Act of 1950); and
5. Public Law (P.L.) 101-510 (31 U.S.C. Secs. 1551-1558), enacted November 5, 1990, amended Subchapter IV, which prescribes the rules for determining the availability of appropriation and fund balances and establishes the procedures for closing appropriation and fund accounts.

b. [GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Appendix 1, Section F50.](#)

c. Title X of P.L. 93-344, codified at [2 U.S.C. Secs 681-688](#)

- d. [Office of Management and Budget \(OMB\) Circular A-11, "Preparation, Submission and Execution of the Budget"](#), as amended, and related OMB guidelines.
- e. [Department Organization Order 10-5, "Chief Financial Officer and Assistant Secretary for Administration"](#), as amended, which covers the conduct of all administrative functions required in the overall management of the Department.
- f. [Federal Credit Reform Act of 1990, Title X of the Congressional Budget and Impoundment Control Act of 1974](#), as amended by Section 13201 of the Omnibus Budget Reconciliation Act of 1990.

### Section 3.0 Scope

The provisions of this Handbook apply to all organization units, appropriations, and funds controlled by the Department of Commerce.

### Section 4.0 Definitions, Terminology, and Concepts

The terminology and concepts used in this Chapter have the same meaning as those set forth in OMB Circular A-34, Part II and Part III, which requires that each executive agency establishes regulations governing the agency system for administrative control of funds.

#### .01 Definitions

- a. **Administrative Division or Sub-division of Funds** - An administrative division or sub-division of funds is any distribution of an appropriation or fund, such as an apportionment or allotment. Overobligation or over-expenditure of apportionments and allotments is always a violation of the Anti-Deficiency Act.
- b. **Apportionment** - A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.
- c. **Reapportionment** - A revision approved by OMB of a previous apportionment for an appropriation or fund account. This approved revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

- d. **Allotment** - Authority delegated by the head or other authorized employee of an agency to agency employees to incur obligations within a specified amount, pursuant to OMB apportionment or reappportionment action or other statutory authority making funds available for obligation.
- e. **Availability of Budgetary Resources** - The availability of budgetary resources for obligations and expenditures are limited by purpose, amount, and time. There are three types of authority for incurring new obligations that are limited by time:
  - (1) annual authority,
  - (2) multiyear authority, and
  - (3) no-year authority.

During the period where budgetary resources are available for incurring new obligations, the account that is empowered by such authority is called unexpired account.

- f. **Agency Limitation** - For fund control purposes, an agency limitation is any administrative division or sub-division of funds made by agency officials that restricts the use of Government funds.
- g. **Expired Accounts** - These are appropriation or fund accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such Obligations has expired. Unless otherwise specified by law, annual or multi-year authority (for incurring new obligations) for an account expires at the beginning of the fiscal year following the specified year or multi-year period.

For five years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. At the end of the fifth year, the expired account is canceled.

## Section 5.0 Responsibilities and Functions of Individuals

### .01 General

In accordance with OMB Circular A-34, Section 31.3, and Title 31 U.S.C. Sec. 1514, the Secretary is responsible for prescribing a system of administrative control of funds. The Secretary has delegated to the Assistant Secretary for Administration/Chief Financial Officer (CFO) (hereafter referred to as the CFO), the

responsibility for establishing and maintaining a system of funds control in accordance with the criteria and policies set forth in this Chapter. The CFO is also responsible for developing and prescribing accounting systems that will provide for prompt and accurate recording in the official accounts of all financial transactions having an effect on apportionments and other subdivisions of funds. The CFO has oversight responsibility for budgeting and management of financial resources to assure optimum utilization of funds in carrying out programs of the Department; coordinating administrative management matters with other departments and agencies; providing for budget coordination and liaison with OMB; providing central liaison for the Department with the Appropriations Committees of the Congress; and otherwise representing the Department on such matters with public or private groups.

#### .02 Responsibilities

- a. Allotter - Each individual assigned responsibility for issuing allotments is responsible for limiting the amounts made available for obligation and/or outlay to the amounts apportioned or otherwise authorized by law.
- b. Allottee - Each individual receiving an allotment of funds is responsible for restricting obligations and/or outlays to the amounts available in such allotment.

#### .03 Delegations of Authority

- a. The Director, Office of Budget (OB) who reports directly to the CFO, is authorized to establish and maintain a close working relationship with OMB and the Budget and Appropriations Committees of the Congress. OB is delegated responsibility for budget formulation, guidance for and monitoring of budget execution, management analysis, and reporting on the status of program operations.
- b. The Director, Office of Executive Budgeting and Assistance Management (OEBAM), has Department-wide responsibility for developing and implementing financial assistance administration and operational policies; and for formulating, justifying, and executing the Office of the Secretary (OS) resources. OEBAM serves as the Grant Officer for ITA, MBDA, NTIA, and OS.

- c. The Director, Office of Financial Management (OFM), who reports directly to the CFO, is responsible for developing an integrated Departmental accounting system that meets the administrative control of funds requirements contained in the Joint Financial Management Improvement Program (JFMIP) Core Financial System Requirements, the DOC Budget and Program Analysis Handbook, and the DOC Handbook of Accounting Principles and Standards. The system and other control procedures developed by the Director must support an integrated process that will:
  - 1. Provide budget execution capability by recording the funding and related budget execution documents;
  - 2. Establish and track the use of funds against limitations assigned;
  - 3. Track the use of these funds through operating or financial plans;
  - 4. Maintain current information on commitments and obligations according to the classification structure, on a fund-by-fund basis; and
  - 5. Provide for certification of funds availability prior to the issuance of a commitment, obligation, or expenditure.
- d. Heads of Organization Units are responsible for:
  - 1. Assuring that operations are maintained within the limits of approved organization budgets;
  - 2. Obtaining approvals from OMB and complying with Congressional requirements regarding reprogramming actions through the CFO, OB, and OEBAM;
  - 3. Designating budget officers responsible for preparing and submitting, on a timely basis, apportionment plans and prescribed program backup, and reports and other required data for the organization units for which they are responsible;
  - 4. Organization units' accounting, budget, and personnel officers are responsible for developing procedures to provide financial and employment data needed in order

to submit central agency, as well as organization unit, management reports on a timely basis, forwarding the required data to the CFO, and maintaining liaison with OB, OEBAM, and OFM on the resolution of problems; and

5. Accounting, budget, and program officials at all Department organization levels are responsible for cooperating in maintaining efficient use of funds within the limitations of administrative control and, when applicable, for calculating credit program subsidies in accordance with OMB guidelines.

It is essential that bureau program officials having budget responsibilities, consult with the unit budget officer, the Director for Financial Management, and legal counsel when it appears that there may be problems in meeting the requirements of any law governing administrative controls with a view toward resolving the problems before they become violations of the Act.

## Section 6.0 Actions Prohibited

### .01 General

An Anti-Deficiency Act fund violation can occur at any time during the current period when obligations or outlays exceed the allotment, apportionment, or appropriation. A fund violation can occur at any time during the expired period when obligations or outlays exceed the amounts apportioned or otherwise available by law. In addition, each obligation or outlay transaction, which exceeds amounts available, must be examined to determine responsibility for causing the violation. Actions, which subsequently relieve the violation condition, do not negate the fact that a violation occurred, which must be reported. Further, the amount of the violation is not a factor in determining whether a report must be submitted. All violations must be reported, except those that are one Dollar (\$1) or less.

### .02 Types of Violations

The Anti-Deficiency Act, as amended, requires that the President, through the Director of OMB, and Congress be furnished information on violations of the following character:

- a. Over-obligation or Over-expenditure of an Appropriation or Fund. This is any case where an officer or employee of the United States has made or authorized expenditure from, or created or authorized an obligation against, any appropriation or fund in excess of the amount available in the account.

- b. **Contract or Obligation in Advance of an Appropriation.** This is any case where an officer or employee of the United States has involved the Government in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law (31 U.S.C. Sec.1341(a)). If authorized by law, but not financed by an appropriation, the budget authority recorded to cover such transactions is known as contract authority. If the contract authority is provided in anticipation of receipts, then obligations incurred against such contract authority cannot be liquidated unless either the receipts are collected and credited to the account or an appropriation has been enacted (31 U.S.C. Sec. 1341(a)).
- c. **Acceptance of Voluntary Service -** This is any case where an officer or employee of the United States has accepted voluntary service for the United States or employed personal services in excess of that authorized by law, except in cases of (1) an emergency involving the safety of human life or the protection of property; (2) use of student volunteers under agreement between the Department and the school, as provided by OMB regulations; or (3) as permitted specifically by law (31 U.S.C. Sec.1342). (See DAO 202-311, "Voluntary and Uncompensated Services," for policies, guidelines, and procedures of the Department concerning voluntary and uncompensated services.  
<http://www.osec.doc.gov/omo/daos/202-311.htm>
- d. **Over-obligation or Over-expenditure of an Apportionment or Reapportionment.** This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of an apportionment or reapportionment. This includes adjustments that cause obligations in expired accounts to exceed the apportionment for the year in which such obligations were incurred (31 U.S.C. Sec.1517(a)).
- e. **Over-obligation or Over-expenditure of an Allotment.** This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of the amount permitted by the prescribed and approved agency fund control system (31 U.S.C. Sec. 1517(a)).
- f. **Over-obligation or Over-expenditure of a Credit Limitation.** This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure exceeding a credit limitation contained in an appropriation act restricting the amount that can be obligated or committed for a credit program (31 U.S.C. Sec.1517(a)). Obligation or disbursement from each loan program, financing, and liquidation account in excess of: (1) direct and guaranteed loan subsidies, direct and guaranteed loan levels, and any limitation

specified by law, or (2) the amount apportioned for the amounts specified above, whichever is the lower (Title V, CBA of 1974).

- g. Expired Accounts Agencies are required to report violations of the Anti-Deficiency Act when the following conditions occur:
  - 1. New obligations and expenditures or adjustments to obligations and expenditures exceed the original appropriations. This is any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount available in the original appropriation or fund account. This means that the balances from other years in the account are no longer fungible between fiscal years.
  - 2. New obligations or any expenditures in expired accounts. This is any case where an officer or employee of the United States has made or authorized an expenditure from, or created or authorized an obligation against, an expired account. Expired accounts will remain available for legitimate obligation adjustments but not for new obligations. As of September 30 of the fifth fiscal year after the period of obligational availability ends, for each account, all obligated and unobligated balances shall be canceled and the expired account shall be closed. No disbursements may be made from closed expired accounts. For example, accounts that expired in fiscal year 1994 will be closed as of September 30, 1999. However, after an account is canceled, any legitimate obligations or adjustments chargeable to the canceled account may be paid from another unexpired appropriation available for the same purpose as the canceled account.
  - 3. New obligations and expenditures or adjustments to obligations and expenditures that exceed the amount apportioned or allotted This is any case where an officer or employee of the United States has made or authorized an expenditure from, or created or authorized an obligation against, any appropriation or fund account in excess of the amount apportioned or allotted to the original appropriation or fund account.



- h. Charging the Wrong Account - Deliberately charging the wrong account for purposes of expediency or administrative convenience, with the expectation of rectifying the situation by a subsequent transfer, violates 31 U.S.C. sec. 1301(a). The transferred funds would be used for a purpose other than that for which they were originally appropriated. If the receiving appropriation is exceeded, the Anti-deficiency Act is also violated.

- i. Indemnification Clauses and Open-ended Liabilities

“Agreements that contain clauses in which the Department or any operating unit promises to “indemnify” the other party for loss or injury, or that otherwise commit the Department or operating unit to an open-ended (and therefore potentially unlimited) liability or expense violate the ADA even where the circumstance requiring the expense is never triggered. Such clauses must be amended as appropriate or negotiated out of the agreement before the agreement may be signed.”

### Section 7.0 Penalties

Any officer or employee who violates provisions of 31 U.S.C. Secs. 1341(a), 1342, or 1517(a) (the Anti-Deficiency Act) shall be subject to appropriate administrative discipline. Administrative discipline may consist of:

- a. Letter of reprimand or censure for the official personnel record of the officer or employee;
- b. Unsatisfactory performance rating;
- c. Transfer to another position;
- d. Suspension from duty without pay; or
- e. Removal from office.

In addition, any person who knowingly and willfully violates these prohibitions shall be fined not more than \$5,000, imprisoned for not more than two (2) years, or both.

### Section 8.0 Reporting Requirements

#### .01 Responsibilities

Since a determination concerning liability under this Act is within the province of the Department's Office of General Counsel, the organization unit affected shall consider the following list of guidelines in gathering the pertinent facts.

- a. The accounting system shall be the record for determining whether a violation exists, for the extent of the violation, and for assigning individual responsibilities. If the violation involves a sub-system approved by the CFO, that system shall be the record for such determination except where the two (2) systems conflict. In the latter case, the Office of Financial Management will determine which set of records is correct.
- b. The Department's Office of General Counsel shall make the determination as to whether there has been a violation of the Act. The Office of Financial Management shall cooperate in reviewing and determining the facts from accounting records or resolving conflicts between accounting and approved sub-systems. The Office of Personnel shall cooperate in the determination of the extent of administrative discipline to be applied.
- c. To the extent that an individual contributed to the violation, some actions may be considered so contrary to good management practices as to indicate possible negligence. These actions may include, but are not limited to:
  - 1. Failure of an allottee to formalize operating plans in time to establish administrative control of obligations or expenditures and to present such plans for incorporation into the accounting system;
  - 2. Failure of an allottee to maintain such plans in a current status throughout the period of availability of an appropriation;
  - 3. Failure of an accounting officer to monitor and analyze accounts in a professional manner and to provide formal notice of an impending violation where professional judgment would warrant such action;
  - 4. Failure of an allottee to respond in-kind to a formal warning from an accounting officer of an indication of impending violation;

5. Direct approval by an allottee of an obligation beyond the limitation of an allotment or sub-allotment;
  6. Failure of an accounting officer to maintain the accounting system;
  7. Failure of an accounting officer (or program official to provide such information) to enter a commitment (estimate) in an accounting record, e.g., GPO Printing Requisition to determine the individual responsible for that commitment;
  8. Failure of an automatic data processing manager to maintain an accounting system as designed or to provide highest priority to situations involving administrative control of funds;
  9. Failure of a contracting/procurement officer, or any other approving official, to obtain the approval of an official authorized to certify fund availability before entering into a contract or a change order;
  10. Failure of a certifying officer, in conjunction with the requirement in 31 U.S.C. Sec. 3528, to determine that payments are in accordance with law and represent a legal obligation under the fund involved, to determine that an expenditure is generally preceded by an operating plan entered in the accounts, or is otherwise specifically approved by the allottee;
  11. Failure of an employee to act promptly in matters of assembling, recording, and reporting obligations, including those personnel who have responsibility for administrative approval of expenditures;
  12. Failure of any employee to cooperate with an allottee in formalizing control plans and revisions of plans in a timely manner; and
  13. Failure of an employee responsible for furnishing an estimate to be recorded as an obligation to prepare such an estimate with reasonable skill and competence.
- d. Violations may occur because of the actions of other agencies, particularly where the Department is required to enter into interagency agreements. If inadequate financial information has been furnished by

another agency, which could cause an organization unit to be in violation of the Act, the facts should be established and reported as with any other report of a violation.

.02 Reporting to the Chief Financial Officer

It shall be the primary responsibility of the chief of the accounting office or other organization unit in which the official accounts are maintained to immediately initiate written reports of obvious or possible violations. However, any employee of the Department having knowledge of an apparent violation shall be responsible for initiating a written report through appropriate channels. In either instance, the report shall be addressed to the Head of the Organization Unit. The Head of the Organization Unit shall report to the Chief Financial Officer (CFO), IMMEDIATELY after it has been established that a violation has occurred and shall also send an information copy of the report to the Director for Budget (OB), the Director for Executive Budgeting and Assistance Management (OEBAM), and the Director for Financial Management (OFM). In the event that investigations are not completed and an external report made within six months of discovery, quarterly reports will be reported to the OB, OEBAM, and until the investigation discloses that the violation did not occur or an external report is made.

The Director, OFM, will prepare the report for violations, which occur in the Office of the Secretary.

.03 Reporting to the President and Congress

If it is determined that a violation has occurred, then external reports are required. One report shall be in the form of a letter (original and three copies, plus the number of copies desired for internal use) to the President, prepared for the signature of the Secretary and forwarded to the President through the Director of OMB. The opening sentence of the letter should be, "This letter is to report a violation of the Anti-Deficiency Act, required by Title 31 United States Code Secs. 1341(a), 1342, and 1517(a)."

- a. The letter will set forth the following data, preferably in the sequence indicated:
  1. The title and symbol (including the fiscal year) of the appropriation or fund account, the amount involved for each violation, and the date on which the violation occurred.
  2. The name and position of the officer or employee responsible for the violation.

3. All the pertinent facts of the violation, including the type of violation, (e.g., overobligation of an allotment or apportionment of an appropriation, etc.) the primary reason or cause, and any statement from the responsible officer or employee with respect to any circumstances which he or she believes to be extenuating, and any germane report by the Department's Inspector General and/or the General Counsel.
  4. A statement of administrative discipline imposed by the Head of the Organization Unit or CFO within the Office of the Secretary, and any further steps taken with respect to the officer or employee, or an explanation as to why no disciplinary action is considered necessary.
  5. In the case where an officer or employee is suspected of willfully and knowingly violating the Anti-Deficiency Act, confirm that all information has been submitted to the Department of Justice for determination of whether further action is needed.
  6. A statement that the organization unit's instructions implementing these procedures are adequate, or if not adequate, will be appropriately revised.
  7. A statement of any additional action taken by, or at the direction of, the Head of the Organization Unit or CFO within the Office of the Secretary, including any new safeguards provided to prevent recurrence of the same type of violation.
  8. If another agency is concerned, a statement concerning the steps taken to coordinate the report with the other agency.
  9. If an allocation account is involved in a violation, the violation will be reported through the Department by the agency administering the allocation.
- b. An information copy of the report to the President will be sent to the Department's Office of the Inspector General.
  - c. The second report will be made to Congress as required by law. This report, using the same format as that submitted to the President (see sub-section a. above), will also be prepared for the signature of the

Secretary and will be addressed to the President of the Senate and the Speaker of the House. A copy of this report will be submitted to OMB with the report to the President. If the reports to the President and Congress are identical, a statement to this effect should be included in the report to the President.

All reports to the President and the Congress under this paragraph will be forwarded for signature to the Secretary through the CFO. After the Secretary has signed the report, an information copy will be provided to the Director, OB, and the Director, OEBAM. In addition to reports of violations discovered by organization units or offices of the Department, reports will also be made on violations not previously reported which are included in findings of the General Accounting Office (GAO) in connection with audits and investigations. In these cases, the reports should contain an explanation as to why the violation was not discovered and previously reported. If the Department does not agree with GAO that a violation has actually occurred, a letter explaining the reason for the point of view should be prepared for the Secretary's signature and transmitted through normal channels for submission to the Comptroller General with a copy to the Director of OMB.

#### .04 Financial Statement Disclosure

Any violations of appropriations or other fund limitations shall be disclosed in the notes to the financial statements. Any major restrictions or limitations on the use of funds (such as limitations on amounts which can be spent for certain types of expenditures, e.g., travel) contained in the appropriation acts shall also be disclosed, as well as any violations of such restrictions.

### Section 9.0 Relationship of Accounting and Fund Control Systems

The basic responsibility for recording and reporting financial transactions as obligations is prescribed in the Supplemental Appropriations Act of 1950, Section 1311 (31 U.S.C. Secs. 1501-1502). In accordance with *Title 2, GAO Manual for Guidance of Federal Agencies, Appendix 1, Section F50 and the JFMIP Core Federal Financial Management System Requirements*, the accounting system should incorporate appropriate techniques to assist in achieving funds control. OMB Circular A-34, Section 31.3 specifies the criteria for an adequate system of administrative control of funds to comply with the requirements of the Anti-Deficiency Act, 31 U.S.C. Sec. 1514, as amended, and it provides that funds control systems be fully supported by the accounting systems. Pursuant to these requirements, the following accounting, reporting, and internal controls shall be maintained:

.01 Accounting System

The Departmental accounting system(s) shall be designed and maintained in a manner to assist responsible officials in restricting the authorization or incurrence of commitments, obligations, and expenditures to amounts available in the apportionment or allotment. The Departmental accounting system(s) must provide timely disclosure of:

- a. Total valid obligations incurred to date, and total budgetary resources available for obligations within each apportionment, allotment, or other administrative sub-division. Credit accounts will be handled in the same manner as non-credit accounts.
- b. Restrictions contained in appropriation acts or other statutes, along with total obligations incurred against such restrictions to date.
- c. Status of estimated reimbursements, including orders received, amounts earned, and amounts collected to date.
- d. The authorization or creation of commitments, obligations, or expenditures that exceed apportionments and allotments.

.02 Allotment Accounting and Reporting

Allotment accounting and reporting procedures shall be prescribed as an integral part of any accounting and reporting system. Provision shall be made for prompt and accurate recording in the official accounts of all transactions affecting an allotment, and timely reporting by the accounting organization on its status to the allottee.

.03 Accounting Records and Fund Status Reports

The accounting records and the funds status reports must be periodically verified. This verification must take place at least annually so that the Report on Budget Execution (SF-133) and the Year-end Closing Statement (TFS Form 2108) can be certified as correct. In fiscal year 2000, the SF-133 and TFM-2108 are to be replaced by FACTS (Federal Agencies' Centralized Trialbalance System) II Report. The certification is necessary to assure that all source documents that affect the appropriation and fund balances have been recorded properly, accurately, completely, and on a timely basis. During this verification, the validity of all obligations will be substantiated and adjustments will be processed accordingly. This verification will be accomplished by consulting with the program officials that are in a position to know the validity of each obligation and are charged with the responsibility for administering the funds that have been allotted to their programs.

## Section 10.0 Apportionments

### .01 General

Specific requirements for apportionments and reappportionments are contained in OMB Circular A-34, Part IV. All accounts must be apportioned except as provided in Part IV of the Circular. Supporting material for apportionment requests should show planned spending by program activities unless otherwise specified by OMB program staff. The authority to request apportionment or reappportionment of all Departmental funds by OMB has been delegated to the CFO, who has in turn re-delegated that authority to the Director for Budget (see DAO 203-1, as amended.) The one exception is for apportionments or reappportionments, which indicate the need for supplemental budget authority. These requests to OMB must be accompanied by the CFO's determination of the reasons for a deficiency apportionment. Apportionments that anticipate the need for a deficiency or supplemental appropriation under 31 U.S.C. Sec. 1515, will be specifically identified on the apportionment request (SF 132) as discussed in OMB Circular A-34, Section 35.1.

- a. All appropriations, trust, and public enterprise funds, which have amounts available for obligation, must be apportioned unless specifically exempted by OMB. Amounts to be apportioned shall include amounts to be reimbursed to the appropriation or fund. Funds exempted from apportionment by OMB, either by general regulation or by specific administrative action, may include certain deposit funds, trust funds, consolidated working capital funds, franchise funds, allocation accounts, and revolving funds.
- b. Separate apportionments are required in cases when an appropriation commingles one year and multiple year funds and separate accounts are established by the Treasury for each fund. New apportionment action is required for budgetary resources available beyond the end of the fiscal year.
- c. Apportionment and reappportionment requests shall be prepared in the manner prescribed by OMB Circular A-34, and the DOC Budget and Program Analysis Handbook by each organization unit for the review and approval of the Director for Budget. OMB action on apportionment requests will be coordinated by OB who will forward the original of the OMB apportionment action to the organization unit.
- d. The Office of Budget is responsible for forwarding the originally approved apportionment schedule (SF 132) to the accounting officer servicing the organization unit and to the Director for



Financial Management. The approved SF 132 is the authorizing document for opening prescribed general ledger accounts for the administrative control of funds. For loan programs, Category B funds may be further apportioned according to loan subsidy, default claims, interest to Treasury, administrative expenses, capitalized costs, interest supplements, payments to receipt accounts, and other categories.

For guaranteed loan programs, the loan level will be apportioned based upon new loan commitments supportable by the subsidy budget or, in the case of a negative subsidy, the amount authorized by the appropriation act.

.02 Apportionment Accounting and Reporting

Normally, budget reporting was on the basis of an SF 133, Report on Budget Execution. As of fiscal year 2000, reporting on budget execution is to be presented in the FACTS II format and on a quarterly basis.

.03 Guidance

The Director for Budget provides departmental guidance on the processing of all types of apportionments, rescissions, and deferral actions. (See DOC Budget and Program Analysis Handbook.)

Section 11.0 Allotments and Sub-allotments

Allotments shall be made at the highest practicable level within each appropriation or fund. Whenever possible, only one allotment should be issued for each appropriation or fund.

Organization plans shall be used to reflect appropriations from Congress and apportionments from OMB.

.01 Organizational Control

The development and maintenance of a system for fund control shall include the formal allotment of funds as a means for establishing, within appropriation limitations established by the Congress and funds apportioned by OMB, the amounts available for obligation and outlay. The allotment system shall be established and maintained in such a manner as to assure compliance with all limitations, including those of the Anti-Deficiency Act, as amended. Organization units' internal procedures shall clearly define an unbroken chain of responsibility from the Head of an Organization Unit to those exercising responsibilities for fund control.

.02     Restrictions

- a. The sum of allotment amounts issued shall not exceed the apportionment.
- b. The sum of sub-allotment amounts issued shall not exceed the allotment amount.
- c. Allotments or other administrative sub-divisions shall be fixed in amount and changed only when authorized by the responsible budget official who issued the sub-division initially.
- d. Congressional restrictions contained in appropriation acts shall be covered.
- e. No officer or employee shall make or authorize an expenditure or create or authorize an obligation without approval of an official authorized to certify funds availability.
- f. No appropriation shall be used to pay obligations incurred under another appropriation, even when funds have been temporarily exhausted and when reimbursement is contemplated after supplemental appropriations are approved.
- g. An appropriation for a specific purpose is available for that purpose only, to the exclusion of a more general appropriation, which might otherwise be considered available for the same purpose.
- h. When either of two (2) appropriations reasonably could be used for certain purposes, administrative election to use one (1) of the appropriations precludes the use thereafter of the other appropriation for the same purpose.
- i. The exhaustion of an appropriation for a specific purpose does not authorize charging excess expenditures or obligations to a general appropriation, which would otherwise be available for the same purpose.
- j. In some circumstances, the recording of obligations is not to be delayed due to lack of funds. Examples include authorized payroll, and obligations arising under defaulted guaranteed loans.
- k. No obligation shall be made or authorized, or an expenditure made, when no allotment exists or is in excess of the existing allotment.

- l. The procurement of supplies is subject to the prohibition in 41 U.S.C. Sec. 13 against making contracts in excess of one (1) year.

.03 Mandatory Requirements

- a. No commitment shall be made without certification of fund availability by recording it in a Departmental accounting system(s).
- b. Obligations shall be recorded in a Departmental accounting system(s) prior to a transaction with a vendor.
- c. Disbursements shall be made in compliance with the Prompt Payment Act (when applicable) and recorded promptly.
- d. Commitments, obligations, and disbursements shall be identified with an appropriation or fund at the time incurred.
- e. Accounting officers and allottees shall be responsible for the validity of all commitments, obligations, and disbursements.
- f. Funds transferred under the Economy Act, 31 U.S.C. Sec. 1535, for payment of services or supplies furnished to another Federal agency, are available only for the same time period as the appropriation from which the transfer is made. Interagency agreements chargeable to fiscal year appropriations are required to be deobligated at the end of the fiscal year to the extent the performing agency has not incurred valid obligations under the agreement (39 Comptroller General 317).
- g. Obligations made or authorized under a fiscal year appropriation must meet a bona fide need of the fiscal year to be charged.
- h. Guaranteed loan commitments must be supported by the subsidy budget authority being allotted. Any obligated balances that are canceled after the five (5)-year period may be paid from the unexpired appropriation made for the same general purpose.

Payment of old balances from unexpired funds is limited to **one (1) percent of the unexpired appropriations**. Specifically:

1. For annual accounts, the limitation is one (1) percent of the annual appropriation for the account, not total budgetary resources, but still may not exceed the original amount appropriated; and b. For multi-year accounts, the limitation of one (1) percent applies to all

the appropriations that have not yet expired for obligational purposes. No other budgetary resources may be considered in applying this one (1) percent limitation. Previously unrecorded obligations can be paid from the unexpired account as if they were canceled balances.

.04 Allotment Procedures

Allotments and fund authorizations shall be in writing, addressed to specific officials, utilizing forms approved by the Office of Budget. In the Department, allotments are issued on Form CD-3, Allotment Advice, and states the limits of discretion that may be exercised and responsibilities under the Anti-Deficiency Act.

Electronic transmissions may be used, provided adequate internal controls (including separate access controls for signatures) are present. These documents must identify:

- a. Amount available;
- b. Funding source, e.g., appropriations, reimbursements, etc.;
- c. Time period of availability;
- d. Position title of the allottee;
- e. Other agency limitations; and
- f. Justification for changes in allotments.

There may be instances, however, when it is necessary to use more rapid means of communication, such as telephone, facsimile, or electronic mail. Use of such means should be limited to emergency circumstances only. Written authorizations shall be prepared concurrently with the less formal communication and shall be transmitted promptly to the recipient. Such communications shall be documented fully by the recipient and posted to the records. Upon receipt, the formal authorization should be attached to the documentation used for recording purposes.

.05 Allottee Responsibility

Allottees shall exercise supervision primarily through (1) the approval of organization plans, and (2) the approval of commitments, obligations, or expenditures chargeable to their allotments.

- a. Sub-allottees (hereinafter described as allottees with respect to responsibilities and duties) shall exercise control primarily through (1) the approval of operating plans, and (2) the approval of commitments, obligations, or expenditures chargeable to their allotments.
- b. Sub-allotments may be made by allottees if essential for effective and efficient control of funds. Suballotments also shall be made under procedures prescribed for Form CD-3, Allotment Advice.
- c. Each officer or employee receiving an allotment or sub-allotment shall be held responsible for restricting obligations or expenditures to the amounts and terms specified in the contract/purchase order. Obligations incurred or expenditures in excess of allotments or sub-allotments are considered to be violations of the Anti-Deficiency Act.
- d. Allotments may be made on the basis of anticipated receipts, reimbursements, or transfer orders (net of items of doubtful collectability shown in the accounting records) accepted from another account of Government, or reimbursement entitlement based upon goods and services furnished as authorized by law. All other anticipated receipts shall not be allotted until received as an advance from the public or the execution of a written agreement between the organization unit and local governments where authorized by law.
- e. No obligation should be created or outlay made from apportioned funds unless such authority has been established by formal allotment and the amount available is sufficient to cover the amount of such obligation or outlay.

.06 Special Situations

- a. Obligations - All transactions meeting the criteria stated for obligations in the Supplemental Appropriations Act of 1950, Section 1311 (31 U.S.C. Sec. 1501), constitute obligations and shall be recorded as obligations. When an agency is authorized by law to incur obligations in advance of, or in excess of an appropriation (for example, obligations arising under defaulted guaranteed loans or payroll), the obligation must be recorded as soon as it arises, even if the available balance is insufficient to cover the obligation. For purposes of effective financial planning, including funds control, data on proposed obligations, (i.e., commitments, reservations as used by program activity) shall be systematically accumulated in accounting records **in advance** of their becoming valid obligations. When these commitment records are used to prepare official reports on obligations incurred, appropriate adjustments must be made to conform such data to the amounts representing valid obligations as defined by law.

- b. Errors - Those cases caused by errors where the facts indicate that no actual over-obligation exists are not violations. This is so even though the records indicate otherwise. An error does not establish a bona fide obligation. An error, however, can lead to an actual violation. For example, an overobligation incurred because an error led to the belief that sufficient funds were available is a violation. Actual violations, even though caused by errors, must be reported.
- c. Over-obligations Resulting from Inaccurate Estimates of Obligations Obligations in excess of the actual amount available at any given time are prohibited. In the case of some indefinite price contracts and similar obligations, it is difficult to determine the precise amount of the Government's ultimate liability at the time contracts are made. In these cases the allottee is responsible for obligating funds to cover the Government's potential liability under the contract, and to ensure that sufficient funds are available for complete liquidation of such obligations. While it is recognized that these cases present many difficulties from a control standpoint, the allottee, nevertheless, is responsible for ensuring that adequate funds are available in the allotment for complete liquidation of such obligations.
- d. Deobligations - The accounting organizations will periodically review obligations to ascertain that all those amounts meeting the criteria of the Supplemental Appropriations Act of 1950, Section 1311 (31 U.S.C. Sec. 1502) are recorded. Other amounts should be deobligated. However, arbitrary deobligation action is taken at the risk of a future violation if subsequent payment or charges should disclose an over-obligation.
- e. Loan Programs - For loan programs, obligations and disbursements will not exceed: (1) the amount of authority made available for loan subsidies. Modifications of direct or guaranteed loans will not exceed apportioned unobligated balances of subsidy amounts;(2) the amount of the credit program supportable by the enacted subsidy, whether the subsidy is positive or negative; (3) the amount appropriated for administrative expenses; and (4) obligations and disbursements may not be incurred against lapsed unobligated balances for loan subsidies, except to correct mathematical or data errors in calculating subsidy amounts.

## Section 12.0 Withholdings

### .01 General

Any budgetary resources deferred or proposed for rescission will be reported to the Congress in special and supplementary messages and in cumulative reports as described in OMB Circular A-34, Part VII. These actions must be recorded in the bureau's accounting system.

.02    Rescissions

A rescission is enacted legislation canceling previously enacted budget authority before the authority would otherwise lapse. Rescissions may be proposed by the President or initiated by a Member of Congress. The Impoundment Control Act of 1974 requires that the President transmit a special message to Congress whenever he proposes an amount for rescission (2 U.S.C. Sec. 683).

.03    Deferrals

A deferral is any action or inaction by an officer or employee of the U.S. Government that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budget authority. Amounts may be deferred (a) as reserves to provide for contingencies under the Anti-Deficiency Act (31 U.S.C. Sec. 1512), or (b) for other reasons pursuant to the Impoundment Control Act of 1974 (2 U.S.C. Sec. 684) or other laws. All deferrals, whether or not reflected on the SF 132, must be reviewed and reported from time-to-time so that these funds can be made available for obligation before they expire.

.04    Reserves

Reserves may be established under the Anti-Deficiency Act (31 U.S.C. Sec. 1512) solely to (a) provide for contingencies, or (b) effect savings made possible through changes in requirements or greater efficiency of operations. These reserves must be recorded in the organization units' accounting system.

.05    Withholdings under Continuing Resolutions

Continuing resolutions are enacted legislation that provides budget authority and other obligational authority for Federal agencies or activities to continue operations until a regular appropriation is enacted or until a specified date. When a continuing resolution covers only part of the year, any Executive withholding, even if proposed for the duration of the

resolution, will be reported as a deferral (Comptroller General decision B-205053, dated December 31, 1981).

When a continuing resolution covers the full fiscal year, provides funds for an activity for the full fiscal year, or covers the remainder of the fiscal year, funds withheld may be reported as a rescission proposal or deferral, depending on the nature of the withholding. Operating plans shall be recorded in the accounting system to reflect the continuing resolution.

.06 Withholdings under Multi-year Apportionments

Where funds are available for obligation beyond the current fiscal year, multi-year apportionments may encourage the development of full financial plans that reflect a comprehensive approach to programs. However, an operating plan must be recorded in the bureau's accounting system to reflect the current fiscal year.

Section 13.0 Anticipated Amounts and Reimbursable Work

.01 Anticipated Receipts and Reimbursements

The amount apportioned for any appropriation or fund account that includes unrealized reimbursements or other anticipated receipts will not be allotted unless there is reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund involved. All officials who receive allotments containing reimbursements or anticipated amounts will maintain constant and careful oversight to ensure that these are realized or earned as planned. The allottee must evaluate the validity or worth of such unrealized amounts before requesting them to be used as a basis for incurring obligations.

If actual earnings or amounts realized are less than anticipated, appropriate funding adjustments shall be made and other appropriate action, including reapportionment, shall be taken. The failure to realize such amounts does not relieve the designated official of the responsibility to request adjustment of allotments so as to bring the allotment within the total to be realized. The inclusion of anticipated amounts in determining the amounts available for apportionment or allotment in no way authorizes the allottee to obligate or make expenditures in excess of budgetary resources available for obligation.

Obligations and expenditures must not exceed apportionments and allotments or exceed budgetary resources available for obligation, whichever is smaller.

.02 Reimbursable Work



In the case of reimbursable work, budgetary resources available for obligation from reimbursements are comprised of earned reimbursements and unfilled customer orders. An earned reimbursement is the amount representing orders that have been filled, provided that in the case of orders from the public, including State and local governments, the amount is limited by the amount of the advance received.

All non-Federal sponsors will make payment in advance of the actual cost of the services on an estimated basis. However, an advance payment schedule may be established within the reimbursable agreement if the total estimated cost will exceed \$50,000 or the length of time to complete the work will exceed six (6) months. The head of the agency, or his/her designee, may determine, on a case-by-case basis, that an advance payment is not feasible.

As with an earned reimbursement, an unfilled order is available for obligation provided that in the case of orders from the public the amount is limited by the amount of the advance received. Throughout the year, these amounts are to be adjusted to the extent that orders are filled, cancelled, or new orders received.

Specific authority may be given by law to include unfilled customer orders, not accompanied by an advance, as budgetary resources.

#### Section 14.0 Deficiency Apportionments

Apportionments that anticipate the need for a deficiency or supplemental appropriation under 31 U.S.C. Sec. 1515 will be specifically identified on the apportionment request (SF 132).